



Minutes IT Investment Board Meeting

December 8, 2004

Members Present:

The Honorable Eugene J. Huang, Chairman
Dr. Mary Guy Miller, Vice Chairman
Chris Caine
Jimmy Hazel
Hiram Johnson

Walter Kucharski
James F. McGuirk, II
Scott Pattison
Len Pomata

Members Absent:

John C. Lee, IV

Others Present:

Lemuel C. Stewart, Jr., Chief Information Officer of the Commonwealth
John Westrick, Office of the Attorney General

Call to Order

The Chair called the meeting of the Information Technology Investment Board (ITIB) to order at 1:02 p.m. The roll was called and one of the ten members was recorded as absent.

Chairman Huang focused attention to the Conflict of Interests & Ethics Training DVDs which had been prepared by the Office of the Attorney General for ITIB members. Viewing of the DVDs satisfies the training obligation of the State and Local Government Conflict of Interests Act (Va. Code §2.2-3100 et seq.), as amended July 1, 2004 requiring each individual who serves on a board or committee to either view the DVD or attend training. Chairman Huang reminded members that the DVD must be viewed by the December 31, 2004 deadline to be in compliance with the Act.

Approval of Minutes

Chairman Huang made the following amendments to the draft minutes of the October 13, 2004 meeting:

Page 10 – Adjourn - Add the location of the December 8, 2004 meeting:
VITA Operations Center – 110 South Seventh Street - 4th Floor Auditorium, Richmond, Virginia

Page 10 – Executive Session - Add certification language:

I will now conduct a roll call and will ask each member to certify, to the best of his/her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting.

Hiram Johnson made a motion that the minutes of the October 13, 2004 meeting be approved as amended. Jimmy Hazel seconded the motion. There being no further discussion, the minutes were approved as amended.

CIO Status Report

Major Highlights:

Transition

VITA completed the large agency transition. Seven large agencies transitioned to VITA support in Wave III, the third and final wave, of the Integration phase. Those agencies are: the Department of Juvenile Justice, the Department of General Services, Virginia State Police, Virginia Employment Commission, the Department of Taxation, Correctional Education, and Rehab Services/Woodrow Wilson Rehabilitation Center. As part of this wave, over 100 employees joined VITA. The total integration project was completed before the January 1, 2005 mandate.

PPEA (Public Private Education Facilities and Infrastructure Act) Review

The Public-Private Educational Facilities and Infrastructure Act (PPEA) Review Committee completed the Conceptual Review of four proposals submitted under the PPEA. The Committee's recommendations for moving into the Detailed Review stage were approved by the Board in October and by the Secretary of Technology and the Governor in November.

VITA will begin entering the Detailed Review Stage the first week of January. The Detailed Review Stage will be divided into two tracks, enterprise applications and infrastructure. Project teams for the enterprise applications detailed review process will be selected by the Secretaries of Administration and Finance. VITA will be the overall coordinator of the two tracks, and will be responsible for establishing the project team for the infrastructure track. Detailed Review will involve collaboration across agencies in the Commonwealth.

The first step of the Detailed Review Stage is a due diligence validation process to be completed jointly with the proposers. Due Diligence is scheduled to begin January 10, and will take approximately 60-90 days. IBM and Northrop Grumman were selected to move into Detailed Review for IT infrastructure and CGI- AMS and IBM were selected to move into Detailed Review for enterprise applications (central administrative systems planning for budget, finance, payroll & HR activities). The selected vendors will submit detailed proposals within 60-90 days of completion of the due diligence process. VITA anticipates reviewing detailed proposals in the infrastructure track in the June/July timeframe.

DHRM Classification Study

In February, 2004, CIO, Lem Stewart, requested the Department of Human Resource Management (DHRM) to conduct a classification study of all positions in VITA to ensure proper compliance with all DHRM classification policies and procedures. The Report was concluded in August 2004. There were 372 position classifications submitted to DHRM. Of the 372 positions submitted, DHRM found 58 exceptions and proposed 29 changes. It was specifically noted in the DHRM Report that all exceptions pre-dated the creation of VITA in July 2003. Exceptions were inherited by predecessor agencies. VITA supports the DHRM Report and is in 100% compliance as of December 2004.

Richmond Plaza Building

Negotiations have been reopened between the Department of General Services and the owners of the Richmond Plaza Building, C. B. Richard Ellis, to address the space needs for VITA over the next 2-3 years.

JCOTS

Lem Stewart, CIO of the Commonwealth, delivered a presentation to the Joint Committee on Technology and Science (JCOTS) on December 1, 2004 regarding progress and accomplishments of VITA. Questions were raised on cost savings and how savings would be achieved. The presentation reiterated the understanding that cost savings will not be realized until the transformation process. Mr. Stewart emphasized that this is a long term project of six to seven years and will require investments to achieve savings.

He further stressed the importance of other components involved in the process, such as service; culture change of the environment from agency-centric to enterprise development; and collaboration within the Commonwealth. Presently, there are 19 active collaborative groups working on various tasks and initiatives across the Commonwealth. These teams are dealing with such topics as statewide security, solutions to reduce duplicative systems, and peer professional advice on financial operations. The intent of the collaborative groups is to involve customers as stakeholders in decisions about how business is conducted by VITA.

JLARC Rate Proposals

The Joint Legislative Audit and Review Commission (JLARC) approved proposed rates totaling \$1.6 million:

- Rate correction – COVANET - (\$1.0 million)
- Product line rate adjustments - (\$0.5 million)
- New service rates - (\$0.1 million)

The new service rates precede transition to the shared services rate from the direct bill rate structure, which was implemented as an interim strategy to achieve integration. As new services are implemented, approval will be requested, and the direct bill strategy will disappear. An example of the implementation of the shared services rate is the capitol consolidation move, wherein a number of small agencies in the capitol area were combined as a result of the renovation projects. Agencies in the consolidation will share servers and other network tools that VITA provides and will be charged a new service rate. This

initiative resulted in \$400,000 in cost avoidance, monies that otherwise would have been invested in new computer operations facilities.

Collaborative Solutions

Collaborative Solutions are statewide application activities that address the issues of duplicative systems in the Commonwealth. The idea supporting it, is to build one system for use by many (shared services). Implementation dates range from November 2004 – June 2005. The following are collaborative solutions now underway in the Commonwealth:

- Learning Management System
- Enterprise Licensing System
- Statewide Alert Network
- Enterprise Geographic Information Systems (GIS)
- GS2 Enterprise Systems Interface (GESI)
- E-mail Consolidation

Major IT Project and Procurement Actions since the last ITIB Meeting

Project Development Approval: None

Contract Approval: None

Project Resumption Approval:

- Department of Accounts – Lease accounting system replacement
- Department of Professional and Occupational Regulation: Electronic Access to Government Licensing and Enforcement System (EAGLES)

Project Management Standard:

The Project Management Standard establishes a comprehensive and uniform process for developing, adopting, and distributing policies, standards and guidelines for use in information technology resource management. The process includes the initial dissemination and continuous management oversight of all information technology resource management documents. The standard was approved and promulgated effective November 1, 2004.

Independent Verification and Validation (IV&V)

The Independent Verification and Validation (IV&V) process involves the hiring of independent organizations to review major IT projects or development activity to verify and validate processes, procedures, and outcomes of project activity. This process verifies the baseline of the major IT projects and assists in ensuring that projects are within the specified scope, planned budget, and within the planned schedules. Currently, there are 21 major projects to be evaluated. Ten have been completed; five are underway. All project reviews are to be completed by January 12, 2005.

Concern: The IV&V on identified projects was initiated in a quick time frame to be completed by the beginning of the General Assembly session, January 12, 2005. Questions have been raised as to when projects would be validated and assurance of monies spent on

projects. Four companies were contracted to validate IV&V programs in the Commonwealth. Some agencies had included the IV&V contract costs in their budgets; however, some agencies had not. The IV&V contract costs are being charged back to the agencies. This presents an unanticipated expenditure for some agencies. In the future, under the project management standard, agencies will be required to plan for IV&V costs in order to obtain approval for project development.

VITA has submitted an additional budget amendment in the amount of \$500,000 to the Department of Planning and Budget requesting funds to cover the costs of initial IV&V on behalf of the agencies.

Value of Transformation

Transformation is the third and final stage in the total integration process. It is the actual consolidation of facilities, hardware and software, the realignment and possible relocation of IT staff; the deployment of innovative technology solutions, and the implementation of significant cost savings initiatives. Transformation requires substantial investment of time and resources.

Throughout the transformation process, if established objectives are achieved, from FY04 to FY10, VITA will achieve a total cumulative cost avoidance and cost savings of approximately \$565,817 million. Significant investments are needed to revitalize and recapitalize IT in state government.

FY 05 Financials:

Internal Service Funds are on target as anticipated. Retained earning and cash flow are in good status. Other Funds are on target after the first quarter of FY05 with projected plans and activities. VITA submitted a revised budget to the Finance and Audit Committee for review and approval. Changes were made regarding adjustment dollars associated with VIPNet, moving \$32 million of pass through funding.

Priorities for 2005:

VITA had identified six priorities for the calendar year 2005. The first is the public/private partnership for transformation and break-through success which will begin to be seen with the PPEA process and the start of the Detailed Review Stage. Second is pursuit of enterprise collaborative systems solutions for managing state investments. Third is fostering collaboration among all branches of state government (Executive, Legislative, Independent agencies, local government, all educational components) to achieve maximum leverage and savings. We recognize that collaboration will bring revenue in the Commonwealth. Fourth is recapitalizing IT in government. There are numerous mission-critical systems in the Commonwealth that are aging and this represents an opportunity to change business processes. As a fifth priority, VITA wants to focus on strategic IT investment and management. The strategic aspect will become the primary focus, not just operational investment. VITA recognizes that the culture must change from not toward enterprise thinking but toward strategic thinking to ensure monies are spent wisely on behalf of citizens. The last priority is to expand service delivery to accommodate a mobile

citizen population (e-government). Services should be available anytime, anywhere, and at the convenience of the citizens.

Budget Amendments

The FY05 budget approved by the Information Technology Investment Board in July 2004 was adjusted as follows:

- Reclassification of the VIPNet budget data to remove pass-thru funding. Because VITA acts only as a transfer agent for these funds, they have been removed from the budget presentation.
- Update of all retained earnings as of July 1, 2004 to reflect final FY04 activity and resultant expenditure adjustments
- Revenue adjustments to Internal Service Funds for the impact of JLARC-approved rate changes
- Miscellaneous revenue and expense updates for E-911 activity and final general fund appropriations

Enterprise Information Dashboards

Lem Stewart presented the Enterprise Information Dashboard, a new way of managing business in the Commonwealth. It is a new tool incorporating metrics, data collection, evaluation, analysis and review into an interactive executive-decision making dashboard. It provides the CIO and VITA staff a real time window into any project or initiative so that status and progress can be evaluated and appropriate action taken.

The Enterprise Information Dashboard will be presented and promoted for adoption by all agency heads at their December 20 Agency Head meeting at the request of the Governor.

On behalf of the Board, Jimmy Hazel commended and recognized the accomplishments of the CIO and the VITA staff for their hard work to transition agencies to VITA before the mandated timeline.

Chris Caine complimented the Enterprise Information Dashboard as an internal information management tool. He recommended that the CIO and VITA staff consider the types of information from the Enterprise Information Dashboard approach that could be posted to the Web site for the public view. He emphasized that this would create a visible benchmark on the status and progress of VITA.

Information Technology Resource Management Documents- ITRM Policy Gov 102-00; ITRM Standard Gov 101-01

At the request of Hiram Johnson, Paul Lubic, VITA Associate Director for Policy Practice and Architecture, presented information on how policy, standards and guidelines are developed and maintained in the Commonwealth.

The Project Management Standard establishes a comprehensive and uniform process for developing, adopting, and distributing policies, standards, and guidelines for use in information technology resource management. The process includes the initial dissemination and continuous management oversight of all information technology resource management documents..

The Project Management Policy establishes a framework for the development and governance for information technology resource management policies, standards, and guidelines. The policy distinguishes between information technology resource management and non-information technology resource management documents.

Mr. Lubic explained that the policy and standard were developed in a collaborative effort that involved input from VITA directorates and from other executive branch agencies. The standard replaces COV ITRM Standard 2001-01.1, dated August 10, 2000. Mr. Lubic also discussed the process for the development of the ITRM Policy and Standard.

He recommended approval for the ITRM Policy and Standard.

Hiram Johnson made a motion to approve the ITRM Policy Gov 102-00 and the ITRM Standard Gov 101-01. Jimmy Hazel seconded the motion. The Board carried the motion unanimously.

VITA Performance Metrics

Lynne Wasz presented the VITA Performance Measurement System. This system will establish measurements which will assess the productivity, efficiency, and direction of the agency. Measurements will relate to VITA's customers and stakeholders, and designated results will be communicated to our customers. Ms. Wasz said measurements will developed further in the future based upon the changing environment of the agency and input from VITA directorates.

Presently, there are 97 proposed VITA measurements. The timeline for VITA's performance measurement system is as follows:

- December 2004 CIO's Enterprise Dashboard
- January 2005 Retrieve Directorate data
- February 2005 Establish agency directorate dashboards and baseline
- Spring 2005 Prioritize measurements for process improvement

Walter Kucharski expressed concern regarding cost awareness in delivering the lowest price service. He said that we could create extremely high quality but at a price and that this cost would eventually be billed to agencies.

Chris Caine commended VITA staff for the work done on measurements.

Chairman Huang asked if each of the constituencies would have visibility to the dashboard. Mr. Stewart commented that a decision had not yet been determined, but prior to posting to the dashboard, decisions would be made as to what would be valuable to the public.

Customer Service and Enterprise Service Directors (ESD) Status Report

As an introduction for Dee Piscella, Chris Saneda, Director of VITA Customer Services, noted that VITA is striving to be an organization that is customer-centric, always putting the customer first in looking at processes, culture, and business growth.

Dee Piscella, ESD for Administration and Finance Secretariats, gave a perspective of the ESDs' experiences in their interaction with agencies. ESDs serve as agency advocates to meet business and technology needs. She also discussed how ESDs help to improve VITA's ability to work with customer agencies.

The ESDs have formed Cabinet Technology Teams (CATTs), which promote an enterprise approach to technology. The groups consist of Deputy Secretaries, ESDs, and Agency IT Resources (AITRs) and VITA Service Level Directors (SLDs) from each in-scope agency.

ESDs conducted a customer satisfaction survey at the agency and Cabinet level regarding VITA's overall performance and in the areas of integration, communications, collaboration, support services, and customer services performance. The survey responses are still being analyzed and action plans are being developed. The ITIB will receive a full report in January.

Commonwealth's Information Security Incident Management

Jeff Deason gave a brief summary of HB 1330 and VITA's proposed plan in meeting the bill requirements. The presentation included information on cyber security threats, implementation of HB 1330, and a model of the Enterprise Security Operations Center.

Under HB 1330, each director of every department in the executive branch of government is to report to the CIO all known incidents that threaten the security in their agency. The bill further mandates the CIO the tasks of coordinating response of recovery in reported incidents.

Mr. Deason stated that HB 1330 will be implemented in two phases. Phase I, the manual process by January 1, 2005, and Phase II, the establishment of the Enterprise Security Operations Center (ESOC) by June 30, 2005. Having a centralized ESOC will allow proactive responses to cyber threats, rather than reactive responses, to protect systems. The ESOC is the key to successful incident management.

Potential Funding sources are in place. The project is estimated to cost \$1,565,000 . Several funding approaches VITA is taking are:

- Application of start-up funds to implement the project;
- Submission of a grant application for \$950,000 of Homeland Security grant monies, and;
- Submission of a budget amendment to cover costs associated with staff and HW/SW upgrades/maintenance for the effective operation of the Enterprise Security Operations Center (ESOC).

Mr. Deason stressed that without funding, Phase 2 will not occur.

Walter Kucharski suggested that VITA staff look into the web-enabled structure already in place at the Department of Emergency Services.

Len Pomata encouraged the ITIB to take actions to ensure funding is received.

Chris Caine made a motion that the ITIB send a letter to the Governor emphasizing the importance of Homeland Security funding in support of VITA's efforts to establish an Enterprise Security Operations Center. Jimmy Hazel seconded the motion. The Board carried the motion unanimously.

Chairman Huang requested Chris Caine to work with VITA staff in drafting the letter.

Chairman Huang expressed his appreciation and gave accolades to the CIO and VITA staff for the hard work that has been done to date. He stated that the four presentations given validated VITA's progress during the last 18 months.

Committee Reports

Legislative Review Committee – Jimmy Hazel, Chairman

Jimmy Hazel stated that the Legislative Review Committee met on December 7, 2004. Handouts were distributed outlining updated legislative proposals that have direct or indirect impact on VITA. Mr. Hazel reported on two bill drafts:

Repeal the Virginia Information Providers Network (VIPNet) and transfers its functions to VITA. The bill will not affect VITA's current managed, outsourced contract with Virginia Interactive, Inc. to provide Internet portal services. The bill is a housekeeping measure to clarify organizational placement of VIPNet in VITA.

Wireless E-911 Services Board/Public Safety Communications (PSC) Division

This legislation came via the Wireless E-911 Services Board. It amends the Wireless E-911 Services Board's enabling legislation to resolve a potential constitutional debt conflict; removes the exemptions to E-911 deployment; excludes all federal state and local governments from the surcharge collection; modifies the definition of prepaid surcharge; establishes a deadline for late funding requests of July 1 each year; clarifies the appeals process; and expands the Board's responsibilities to include a single, statewide electronic addressing database.

After further discussion, Jimmy Hazel made a motion that the ITIB approve the two draft bills as submitted. Hiram Johnson seconded the motion. The Board carried the motion unanimously.

Mr. Hazel noted that VITA will be tracking public procurement legislation proposed by JCOTS staff. He also advised the Board of a FOIA bill codifying the ability for all boards/commissions to hold electronic meetings.

Jimmy Hazel reminded the ITIB that the 2005 General Assembly session begins January 12, 2005 and will be the 45-day short session.

IT Project Review Committee, Jim McGuirk, Chairperson

Mr. McGuirk reiterated that the Project Review Committee's focus will have more of a strategic investment view rather than a tactical project management view of IT investments. As stated in the October meeting, the Project Management Division (PMD) had developed an enterprise business architecture and requested reviews with each Secretariat on their business functions and how technology can impact them. The PMD is looking at every Secretariat to develop a view of the business architecture. He complimented VITA staff and the ESDs in working with agencies in this regard.

At the Committee's earlier meeting, the Deputy Secretary of Public Safety, Barry Greene presented an overview of the functions of the Public Safety Secretariat, including its mission, success factors and important factors of the Secretariat, and key technology projects. The PMD can now use the information to see if there are other places where these technology projects might be leveraged in the Commonwealth.

The IT Project Review Committee is planning an all-day session on January 19, 2005, at the Center for Innovative Technology in Herndon, Virginia. At this meeting, the second presentation will be given by the Secretariat of Natural Resources. In addition, the Committee will review the process to be used in developing the Recommended Technology Investment Projects (RTIP) Report to the Governor and will develop a schedule to incorporate all Secretariat briefings by July.

Detailed information will be posted on the time and location of the January 19 meeting.

Finance and Audit Committee, Scott Pattison, Chairperson

Scott Pattison reported that Jimmy Hazel and Jim McGuirk had been nominated by the Chair to serve on the Finance and Audit Committee. Both members were welcomed.

Mr. Pattison reported that the Finance & Audit Committee met on December 7 and discussed the October Financial results. Activity was as expected; however there were two issues of concern:

- A potential problem exists with cash flow due to timing of invoice payments vs. the receipt of revenues. VITA Finance Staff is working with the Secretary of Finance staff and will propose to the Finance & Audit Committee and ITIB how this will be handled at the February meeting.
- The Prompt Pay Act requires agencies to be 95% in compliance with prompt pay guidelines. VITA is below the 95% rate. This was expected once large agencies completed integration to VITA. It is anticipated that this will improve.

The Savings Methodology Working Group has been established to ensure baseline documentation and definitions are consistently developed and recorded from project to project. The methodology will be presented to the full Board, as well as the APA, the Secretary of Finance and JLARC.

An additional budget amendment (IV&V contract costs) was submitted to the Department of Planning and Budget.

The interview process for hiring the Audit Director is underway. The top four candidates will be contacted for second interviews with the Finance & Audit Committee. Interviews will be held on Monday, December 20 at VITA Headquarters, 411 East Franklin Street in Richmond. Board members were welcomed to attend these interviews.

Required Board Actions:

Approve the FY 05 Adjusted Budget. Adjustments include:

- Removing \$32 million of pass through funding through VIPNet.
- Updating of Retained Earnings to reflect FY 04 activity
- Incorporation of rate changes approved by JLARC.
- Miscellaneous revenue and expense updates, primarily for the E-911 activity

Scott Pattison made a motion that the ITIB approve the adjustments to the VITA FY 05 budget. Hiram Johnson seconded the motion. The Board carried the motion unanimously.

Approval of revised Resolution allowing the CIO to proceed with rate and budgetary submissions. Based on comments at the October meeting, the Resolution has been revised to incorporate input from Board members as follows:

RESOLVED, that the Virginia Information Technology Investment Board assigns the Commonwealth Chief Information Officer authority to proceed with rate and budgetary submissions that come between Finance and Audit Committee meetings so as not to impede VITA's ability to perform day-to-day activities, in accordance with the following guidelines:

- *The CIO shall notify the Information Technology Investment Board members of the intent to approve or disapprove rate or budgetary submissions at least 5 working days before taking such action. The CIO shall not proceed to approve or disapprove any rate or budgetary submissions if any Board member, within the 5 working day notice period, requests that the intended CIO action be presented for review to the Information Technology Finance and Audit Committee followed by submission to the Board for approval.*
- *At each regularly scheduled meeting of the Board, the CIO shall report to the Board on those rate or budgetary submissions and related issues and CIO approvals and disapprovals taken since the last regularly scheduled meeting of the Board.*

Scott Pattison made a motion that the ITIB approve the revised Resolution allowing the CIO to proceed with rate and budgetary submissions. Hiram Johnson seconded the motion. The Board carried the motion unanimously.

Other Business

None

Public Comment

None

Executive Session

Len Pomata made the following motion:

Pursuant to Section 3711 A(1) of the Code of Virginia, I move that the IT Investment Board convene into Executive Session for the purpose of discussing CIO performance review issues.

Jimmy Hazel seconded the motion. The Board carried the motion unanimously.

The Board reconvened in open session at 3:58 p.m. Chairman Huang made the motion stating:

I move that the ITIB is now reconvened in open session, having completed a closed meeting to discuss CIO performance review issues. I will now conduct a roll call and will ask each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting.

Len Pomata seconded the motion. The roll was called and each of the nine members so certified.

Adjourn

A motion was made by Jimmy Hazel to adjourn. Hiram Johnson seconded the motion. The next meeting of the ITIB will be Wednesday, February 9, 2005, at the VITA Operations Center, 110 South Seventh Street – 4th Floor Auditorium, Richmond, Virginia 23219. There being no further business, the meeting adjourned at 4 p.m.